

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking into Policies to Promote a Partnership Framework between Energy Investor Owned Utilities and the Water Section to Promote Water-Energy Nexus Programs.

Rulemaking 13-12-011  
(Filed December 19, 2013)

**REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES  
ON THE PROPOSED DECISION REGARDING TOOLS FOR  
CALCULATING THE EMBEDDED ENERGY IN WATER AND  
AN AVOIDED CAPACITY COST ASSOCIATED WITH WATER SAVINGS**

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September 14, 2015

## **I. INTRODUCTION**

Pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), the Office of Ratepayer Advocates (ORA) submits these reply comments on the Proposed Decision Regarding Tools for Calculating the Embedded Energy in Water and an Avoided Capacity Cost Associated with Water Savings, dated August 17, 2015 (Proposed Decision). Below, ORA provides reply comments on specific issues; however, ORA does not comment on all issues, which should not be perceived as a concurrence with other parties' views.

## **II. DISCUSSION**

### **A. The New Tools should have regularly scheduled updates.**

NRDC states in its Comments on the Proposed Decision:

[i]n the future, after a wealth of user experience and input data is accumulated, substantive additions to the tools can be revisited. Although the Proposed Decision does not specify a timeline for future updates to the tools, the Commission should make certain that updates to the tools occur in a timely manner – intervals of no more than two years would be appropriate for the foreseeable future -- as this data becomes available.<sup>1</sup>

ORA endorses NRDC's concept of having regularly scheduled updates to the New Tools every two years until stakeholders are familiar with running the tools, use of defaults and overrides are refined, and outputs understood. ORA's suggestion to hold a workshop 12 months after adoption of the tools would advance development of best practices and assist with integration of the tools into the Energy Efficiency proceeding functions.<sup>2</sup> The first New Tools update should include prioritized elements of those listed in the Proposed Decision,<sup>3</sup> as well as a review of NRDC's suggestion to value only energy intensity of water conveyed downstream of water storage.<sup>4</sup> As a part of that update, the default values in the New Tools should be revised as appropriate.

NRDC also notes that the current Water Tool "does not actually include the functionality to change the default resource balance year."<sup>5</sup> ORA concurs that "[a]ddressing this lack of

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<sup>1</sup> NRDC Comments at p. 9.

<sup>2</sup> ORA Comments at p. 8.

<sup>3</sup> Proposed Decision at pp. 62-63.

<sup>4</sup> NRDC Comments at p. 5.

<sup>5</sup> *Id.* at p. 3.

functionality would be an easy fix that would critically improve the flexibility of the Water Tool.”<sup>6</sup>, and that “the Commission [should] also task Commission Staff with correcting the RBY [Resource Balance Year] and other functionality errors in the tool that may be identified.”<sup>7</sup> This correction should be prioritized, and need not wait for other general updates of the New Tools. In making the RBY a functional field, the New Tools should make use of the average existing embedded energy prior to the RBY.<sup>8</sup>

**B. IOUs Should Strive To Implement Cost Effective Projects.**

UCAN takes exception with the Proposed Decision’s reliance on the ability of the Energy IOUs to balance the highs and lows of portfolio level programming as an escape-valve for water-energy projects that are “suboptimal”.<sup>9</sup> UCAN is correct that IOUs should construct the most cost effective partnerships possible. Both TURN and NRDC state that cost allocation should be in proportion to benefits.<sup>10</sup> That is a *project level* assertion and it should be a guiding principle of Water-Energy Nexus partnerships. To ensure that costs are allocated in proportion to benefits, the Commission should provide guidance that Energy and Water IOUs strive to follow the principle that the benefits to each utility’s ratepayers should exceed the costs.<sup>11</sup> Partnerships designed to produce net positive benefits to each participating partner are more likely to grow and be sustainable over the long-term than partnerships where one party reaps all of the net positive benefits and the other is burdened with an inordinate portion of the costs.

As UCAN states (and ORA has conveyed in prior comments in this proceeding)<sup>12</sup> cost effectiveness is essential at the project level, and the use of the Program Administrator Cost (PAC) test for cost allocation purposes reduces the potential (inherent in the Total Resource Cost) for skewing results due to the customer’s costs. Since the focus in cost allocation is on which utility partner pays how much, and with ratepayer money, the cost to the utility customer

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<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*

<sup>8</sup> Detailed in ORA’s June 10, 2015 Comments on the New Tools, at pp. 1-3.

<sup>9</sup> UCAN Opening Comments at p. 6.

<sup>10</sup> TURN Opening Comments at p.3; NRDC Opening Comments at p. 8.

<sup>11</sup> ORA’s Opening Comments at pp. 4-7, and Attachment 1, recommended language for Ordering Paragraph 3.

<sup>12</sup> ORA’s Comments on New Tools, June 10, 2015.

is not needed for this equation. Therefore, for cost allocation purposes in Water-Energy Nexus partnership projects, Energy IOUs should make use of the PAC test.<sup>13</sup>

**C. Energy IOUS Should Prioritize Introducing New Water Energy Nexus Projects, And Furthermore, Distinguish Embedded Energy Savings Credited To Existing Measures/Projects From New Initiatives.**

PG&E and Joint Utilities (SoCalGas and SDG&E) wish to use the New Tools to increase estimated energy savings for both existing and new water savings measures (starting with 2015 activities).<sup>14</sup> Energy IOUs would receive the benefit of a boost in energy savings credit (and greater cost effectiveness) for ongoing activities with approved use of the New Tools; however, it should be clear that existing measures are not contributing to *new* water savings. In concurrence with this proceeding, new initiatives should be emphasized. If the Commission agrees with this use of the New Tools, Energy IOUs should distinguish embedded energy and water savings attributed to existing (2015) projects from new partnerships and measures, and document them in quarterly energy efficiency filings under a new “Water-Energy Nexus” heading.

For consistency in future ex-ante filings and to facilitate evaluation, all activities receiving embedded energy savings estimates should be grouped together as a “Water-Energy Nexus Program.”

**D. User-Defined Values Should Be Based On Publically Available Documents.**

SoCalGas and SDG&E ask the Commission to “clearly define the term ‘burden of proof’ by listing all documentation needed from the utilities to support alternative values from the default values.”<sup>15</sup> As discussed in ORA’s Comments on the New Tools, default overrides should be based on Department of Water Resources sanctioned plans, state guidelines, General Rate Cases (GRCs), or other documents that are available for public review.<sup>16</sup>

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<sup>13</sup> Discussed in detail in ORA’s Comments on the New Tools at pp. 7-8 and summarized in ORA’s Comments on the Proposed Decision at pp. 5-6.

<sup>14</sup> See PG&E Opening Comments, pp. 2-4; Joint Utilities Opening Comments at p. 3.

<sup>15</sup> SoCalGas and SDG&E Comments at p. 4.

<sup>16</sup> ORA’s Comments on the New Tools provide more detailed examples of acceptable sources to justify user-defined values at pp. 8-9.

### III. CONCLUSION

The changes recommended in ORA's comments and reply comments on the Proposed Decision will clarify and strengthen the Proposed Decision, as well as ensure that the water and energy ratepayer dollars spent on conservation and efficiency programs are utilized efficiently and effectively.

Respectfully submitted,

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